

The Regents of the University of California

GOVERNANCE AND COMPENSATION COMMITTEE

May 17, 2017

The Governance and Compensation Committee met on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members present: Regents Elliott, Lansing, Ortiz Oakley, Pattiz, Pérez, Reiss, and Schroeder; Ex officio members Lozano and Napolitano

In attendance: Faculty Representatives Chalfant and White, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Investment Officer Bachher, Executive Vice President and Chief Operating Officer Nava, Vice President Duckett, and Recording Secretary Johns

The meeting convened at 4:40 p.m. with Committee Chair Reiss presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of March 15, 2017 were approved.

2. APPROVAL OF APPOINTMENT OF AND COMPENSATION USING NON-STATE FUNDS FOR EDUARD VAN GELDEREN AS SENIOR MANAGING DIRECTOR, OFFICE OF THE CHIEF INVESTMENT OFFICER AS DISCUSSED IN CLOSED SESSION

Recommendation

The President of the University recommended approval of the following items in connection with the appointment of and compensation for Eduard van Gelderen as Senior Managing Director, Office of the Chief Investment Officer:

- A. Per policy, appointment of Eduard van Gelderen as Senior Managing Director, Office of the Chief Investment Officer, at 100 percent time.
- B. Per policy, an annual base salary of \$393,000, using non-State funds.
- C. Per policy, beginning in the 2017-18 Plan Year, eligibility to participate in the Office of the Chief Investment Officer Annual Incentive Plan (AIP) with a target award of 60 percent of base salary (\$235,800) and a maximum potential award of 120 percent of base salary (\$471,600). The actual award will be determined based on performance against pre-established objectives and may be pro-rated in his first year of participation based on the date of hire. The award is paid over a three-year period. The first half of the award is paid after the conclusion of the first plan

year. The remaining half is paid in two equal payments when awards are paid in each of the next two plan years.

- D. Per policy, standard pension and health and welfare benefits and standard senior management benefits (including eligibility for senior management life insurance and eligibility for executive salary continuation for disability after five consecutive years of Senior Management Group service).
- E. Per policy, monthly contribution to the Senior Management Supplemental Benefit Program.
- F. Per policy, eligibility to participate in the UC Home Loan Program, subject to all applicable program requirements.
- G. Per policy, house-hunting trip reimbursement for Mr. van Gelderen and his spouse or domestic partner, subject to the limitations under policy.
- H. Per policy, reimbursement of temporary housing-related expenses actually and reasonably incurred, subject to the limitations under policy.
- I. Per policy, reimbursement of actual and reasonable expenses associated with moving Mr. van Gelderen's household goods and personal effects from his former primary residence to his new primary residence, subject to the limitations under policy.
- J. This action will be effective no earlier than June 1, 2017.

The compensation described above shall constitute the University's total commitment until modified by the Regents or the President, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Background to Recommendation

The President of the University recommended approval for the appointment of and compensation using non-State funds for Eduard van Gelderen as Senior Managing Director, Office of the Chief Investment Officer, effective no earlier than June 1, 2017. This position will report directly to the Chief Investment Officer.

Following a worldwide open recruitment, Mr. van Gelderen emerged as the top candidate for this role. Consistent with policy, the proposed base salary being near the 75th percentile of the Market Reference Zone is reflective of the limited talent pool and competitiveness of the market for strong investment management expertise. Additionally, Mr. van Gelderen has deep and broad experience and a unique skill set in that he has directly managed three complex product types: pension, public equity, and real assets. As

a point of comparison, the California Public Employees' Retirement System (CalPERS) chief investment officer in 2016 had total pay of \$768,309 and 15 CalPERS managing directors and directors had total pay ranging from \$416,000 to \$626,000. The California State Teachers' Retirement System (CalSTRS) chief investment officer had 2016 total pay of \$650,971 and six other CalSTRS executives had total pay ranging from \$440,000 to \$638,000.¹

Mr. van Gelderen has been a member of the Executive Board as Chief Investment Officer (CIO) of APG Groep N.V. since September 1, 2014. Mr. van Gelderen is also the Statutory Director and Chief Executive Officer of APG Asset Management, a pension fund investment management company representing \$480 billion in assets. Previously, he held positions as Deputy-CIO at ING Investment Management and Head of Investments at Lombard Odier Darier Hentsch. During the first eight years of his career, he held different investment banking positions in Amsterdam and London. Mr. van Gelderen holds various ancillary positions. He is Chairman of the advisory board of the investment committee of the Instituut Gak, Chairman of Conspect Trust, and a member of the Advisory Council of the AQR Asset Management Institute at the London Business School. Mr. van Gelderen will comply with current Outside Professional Activity (OPA) policies. Mr. van Gelderen studied quantitative finance at the Erasmus University in Rotterdam and Asset Liability Management at the University of Maastricht. He also is a Chartered Financial Analyst (CFA) and Financial Risk Manager (FRM).

As Senior Managing Director, Mr. van Gelderen will report directly to the Chief Investment Officer. Mr. van Gelderen will have the following key responsibilities:

- (1) Product Manager for the \$56 billion UC Pension.
- (2) Oversight of the \$52 billion Public Equity program. This is the single largest asset class across the Office of the Chief Investment Officer and is a significant driver of added value. Mr. van Gelderen will apply his significant experience in leading and restructuring Public Equity portfolios.
- (3) Oversight of over \$1 billion in the Real Assets program. Mr. van Gelderen has a strong background and professional interest in Real Assets, which will contribute greatly as the University looks to expand this asset class.
- (4) Growing the University's investment portfolio. Mr. van Gelderen's European investment relationships will be a key factor in achieving growth for the portfolio that is currently predominantly US-based.

In light of Mr. van Gelderen's deep experience and unique skill set, and because of the very scarce candidate pool and competitive market, the proposed base salary of \$393,000 is necessary to attract him to the position. It is 0.4 percent below the 75th percentile (\$394,000) of the Market Reference Zone (MRZ) for this position. The

¹ Information taken from the online database Transparent California for 2016.

recommended base salary is consistent with Regents Policy 7701, Senior Management Group Appointment and Compensation. As indicated in Regents Policy 7701: “Salaries near the 75th percentile of the MRZ will be assigned to SMGs who are very experienced and have a unique skill set. In addition, a salary near the 75th percentile may be assigned where the SMG’s position is moderately broader or more complex in scope than that of peer positions or the benchmark position(s) used in surveys of the applicable market. A salary near the 75th percentile may also be assigned in situations where the talent pool for the position is limited and/or very competitive.” Mr. Van Gelderen’s H-1B non-immigrant visa has been approved, therefore he can be appointed following approval of this action.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Regent Pérez moved to postpone action on this item until the next day, following the Board’s discussion of the State audit of the administrative functions of the Office of the President. The motion failed.

Upon motion duly made and seconded, the Committee approved the President’s recommendation and voted to present it to the Board, Regents Lansing, Lozano, Napolitano, Pattiz, and Schroeder voting “aye,” and Regents Elliott, Ortiz Oakley, and Pérez voting “no.”

3. **RECOMMENDATIONS FOR ELECTION OF OFFICERS AND APPOINTMENTS TO STANDING COMMITTEES AND SUBCOMMITTEES FOR 2017-18**

A. The Chair of the Governance and Compensation Committee recommended that the following appointments of Board officers and Standing Committee Chairs, Vice Chairs and members for 2017-18 be approved:

- (1) Regent George Kieffer be elected Chair of the Board of Regents for the year commencing July 1, 2017.
- (2) Regent John A. Pérez be elected Vice Chair of the Board of Regents for the year commencing July 1, 2017.
- (3) Standing Committee Chairs, Vice Chairs and members, including non-voting advisory members, be appointed for the year commencing July 1, 2017 as shown in Attachment 1.

B. The Chair of the Academic and Student Affairs Committee recommended that the Governance and Compensation Committee appoint the following members of the Academic and Student Affairs Committee to the National Laboratories Subcommittee: Regents Pattiz (Chair), De La Peña (Vice Chair until March 1, 2018), Zettel (Vice Chair beginning March 1, 2018), Mancina, Napolitano,

Newsom, and Oakley, and as non-voting advisory members Chancellors Block, Christ, and Yang for the year commencing July 1, 2017.

- C. The Chair of the Finance and Capital Strategies Committee recommended that the Governance and Compensation Committee appoint the following members of the Finance and Capital Strategies Committee to the Investments Subcommittee: Regents Sherman (Chair), Zettel (Vice Chair), Lemus, and Varner, and as non-voting advisory members Chancellors Hawgood and Khosla.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Upon motion duly made and seconded, the Committee approved the Chair of the Governance and Compensation Committee's recommendation and voted to present it to the Board, and approved the recommendations of the Chair of the Academic and Student Affairs Committee and the Chair of the Finance and Capital Strategies Committee.

The meeting adjourned at 4:45 p.m.

Attest:

Secretary and Chief of Staff

STANDING COMMITTEE ASSIGNMENTS FOR 2017-18

Academic and Student Affairs

Regents

Pérez (Chair)
Lozano (Vice Chair)
De La Peña
Elliott
Lansing
Mancia
Monge
Newsom
Oakley
Pattiz
Reiss
Rendon
Zettel
Torlakson (ex officio)

Chancellors

Block
Christ
Leland
Wilcox
Yang

Finance and Capital Strategies

Regents

Makarechian (Chair)
Sherman (Vice Chair)
Blum
Lemus
Rendon
Varner
Zettel

Chancellors

Blumenthal
Gillman
Hawgood
Khosla
May/Hexter

Public Engagement and Development

Regents

Lozano (Chair)
Lansing (Vice Chair)
Blum
Mancia
Monge
Oakley
Pattiz
Reiss

Chancellors

Block
Christ
Hawgood
Leland
May/Hexter
Wilcox

Compliance and Audit

Regents

Zettel (Chair)
Elliott (Vice Chair)
De La Peña
Lemus
Makarechian
Newsom
Pérez
Sherman
Varner

Chancellors

Blumenthal
Gillman
Khosla
Yang

Health Services

Regents

Lansing (Chair)

Sherman (Vice Chair)

Blum

Makarechian

Reiss

Chancellors

Block

Hawgood

Outside Advisors

Joel Dimsdale (Academic Senate appointee)

Sandra R. Hernández

Steven H. Lipstein

Paul G. Ramsey

Mark D. Smith

Note: The President of the Board, the Chair of the Board, and the President of the University are ex officio members of all Standing Committees, except the President of the University is not a member of the Compliance and Audit Committee. The Chair of the related Standing Committee is the ex officio member of the relevant Subcommittee. The Superintendent of Public Instruction is an ex officio member of the Academic and Student Affairs Committee. The Executive Vice President – UC Health is an ex officio non-voting member of the Health Services Committee.